



Arnold Schwarzenegger
Governor

October 11, 2010
22M:377:KFW:1018

Mr. Stephen Baiter, Executive Director
Workforce Development Board of Contra Costa County
300 Ellinwood Way
Pleasant Hill, CA 94523

Dear Mr. Baiter:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
SUMMER YOUTH PROGRAM
FINAL MONITORING REPORT
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 monitoring review of the Contra Costa County Local Workforce Investment Area's (Contra Costa LWIA) Summer Youth Program (SYP). This review was conducted by Ms. Karen Fuller-Ware from August 24, 2009, through August 27, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Contra Costa LWIA with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

We collected the information for this report through interviews with representatives of Contra Costa LWIA, service provider staff, ARRA SYP worksite supervisors, and ARRA SYP participants. In addition, this report includes the results of our review of sampled case files, Contra Costa LWIA's response to Section I and II of the ARRA SYP Onsite Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on August 25, 2010, and reviewed your comments and documentation before finalizing this report. Because your response did not adequately address the finding in the draft report, we consider this issue unresolved. We requested that the Contra Costa LWIA provide the

Compliance Review Office (CRO) with a corrective action plan (CAP) to resolve the issue that led to this finding. Therefore, this finding will remain open and has been assigned Corrective Action Tracking System number 10117.

BACKGROUND

The Contra Costa LWIA allocated \$2,511,927 to serve 1,000 summer youth program participants.

As of the week of August 24, 2009 Contra Costa LWIA expended \$1,599,588 to serve 1,029 summer youth program participants.

ARRA SYP REVIEW RESULTS

While we concluded that, overall, the Contra Costa LWIA is meeting applicable ARRA requirements, we noted an instance of noncompliance in the area of: supportive service. The finding that we identified in this area, our recommendation, and the Contra Costa LWIA proposed resolution of the finding is specified below.

FINDING 1

Requirement: OMB Circular A-87(c)(1) states, in part, that to be allowable under Federal awards, costs must be adequately documented.

OMB A-87(C)(1) states, in part, that to be allowable under federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards.

20 CFR Section 663.805(b) states, in part, that supportive services may only be provided when they are necessary to enable individuals to participate in WIA activities.

TEGL 14-08 states, in part, that Recovery Act funds may only be used for authorized WIA and Wagner-Peyser Act activities.

TEGL 14-08 states, in part, that, unless otherwise stated in this guidance, the laws and regulations for WIA Youth funds apply to the Recovery Act funds.

Observation: Of the 21 case files reviewed for Contra Costa County LWIA, we observed that six participants were issued a \$100 VISA gift card (documented as supportive service), because their paychecks were not issued on time. According to the provider, Henkels and McCoy, the payroll department had difficulty issuing the checks to

these six participants. The VISA cards were distributed as supportive services to cover delays in issuing participant payroll and this does not meet the definition of a supportive service.

Furthermore, these funds were issued to "advance" funds to the participants due to the providers delay in issuing payroll to the participants, and then the funds should have been reimbursed once the paycheck was issued. However, we found no documentation that this was the case, other than the statements made by the Project Manager.

Recommendation: We recommended that the Contra Costa LWIA provide CRO with a CAP stating how it will ensure, in the future, that supportive service payments are issued only for WIA/ARRA related services that are necessary to enable individuals to participate in WIA/ARRA activities and that they are adequately documented.

In addition, we recommended that the Contra Costa LWIA reimburse the ARRA account for the amount of the gift cards. We further recommended Contra Costa LWIA, review the records for Henkels and McCoy to ensure that all gift cards issued for payroll delays have been reconciled and funds reimbursed to the ARRA account. Once completed, the Contra Costa LWIA is to provide CRO with the results of its actions.

**Contra Costa
LWIA Response:**

The Contra Costa LWIA stated that they reviewed the records for Henkels and McCoy and concur that the \$100 visa gifts cards issued to the participants do not meet the definition of supportive services. The LWIA also stated that they will reverse the charges from the ARRA grant and recoup the cost from Henkels and McCoy. Additionally, Contra Costa LWIA will submit a check in the amount of \$600 to the Employment Development Department's Cash Control Unit. The Contra Costa LWIA will also communicate WIA/ARRA regulations relating to supportive services to all Adult/Dislocated Worker and Youth Service providers.

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time. We recommended that the Contra Costa LWIA review the records for Henkels and McCoy to ensure that all gift cards issued for payroll delays have been reconciled and funds reimbursed to the ARRA account. We also stated that once completed, the Contra Costa LWIA is to provide CRO with the results of its actions. The CRO has not received that documentation from the review. We again, request that the

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Contra Costa LWIA forward a copy of its results of the review to CRO. Until then, this issue remains open and has been assigned CATS number 10117.

We are providing you up to 10 working days after receipt of this report to submit the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 25, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is Contra Costa LWIA's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain Contra Costa LWIA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Jennifer Shane at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50
Daniel Patterson, MIC 45